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Supreme Court, U.S.
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No. _____ OFFICE OF THE CLERK

In The

Supreme Court of the United States

October Term, 1997

THE BONNEAU COMPANY,

Petitioner,

v.

MAGNIVISION, INC.,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

The statutory presumption of validity codified at 35 U.S.C. § 282 applies to all facets and claims of a patent. This presumption is in part based upon a subsidiary presumption that the patent examiner correctly performed his administrative function in examining a patent application. The statutory presumption of validity may be overcome only with clear and convincing evidence.

The questions presented in this petition are:

(1) May evidence of procedural irregularity in the prosecution of a patent ever be introduced to overcome the presumption that the patent application was properly and thoroughly examined where inequitable conduct is not alleged as an independent ground of invalidity?

(2) Is evidence of procedural irregularity relevant and admissible in support of a challenger's efforts to overcome the presumption of validity, which is in part based upon the presumption of administrative correctness?

(3) Is evidence of procedural irregularity in the prosecution of a patent relevant and admissible in support of a challenger's efforts to overcome the presumption of validity where the patent holder goes beyond the legal presumption of administrative correctness and offers to the fact finder evidence of particular events and circumstances of the patent prosecution to bolster the legal presumptions of validity and administrative correctness?

LIST OF PARTIES AND RULE 29.1 LIST

The parties to the proceedings below were the petitioner The Bonneau Company and the respondents Magnivision, Inc.

The parent company of The Bonneau Company is currently Accessories Associates, Inc. The Bonneau Company has no non-wholly-owned subsidiaries.

The parent company of Magnivision, Inc. is American Greetings, Inc. Magnivision, Inc. has no non-wholly-owned subsidiaries.

TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED	i
LIST OF PARTIES AND RULE 29.1 LIST	ii
TABLE OF CONTENTS	iii
TABLE OF AUTHORITIES	iv
OPINIONS BELOW	1
JURISDICTION	1
STATUTORY AND REGULATORY PROVISIONS INVOLVED	2
STATEMENT OF THE CASE	3
REASONS FOR GRANTING THE WRIT	6
CONCLUSION	18

TABLE OF AUTHORITIES

Page

CASES

Al-Site Corp. v. Cable Car Sunglasses, 911 F. Supp. 410 (N.D. Cal. 1994) 9

American Hoist & Derrick Co. v. Sowa & Sons, Inc., 725 F.2d 1350 (Fed. Cir. 1984), *cert. denied*, 469 U.S. 821 (1984) 8, 9, 11, 12

Applied Materials, Inc. v. Advanced Semiconductor Materials America, Inc., 98 F.3d 1563 (Fed. Cir. 1996), *cert. denied*, ___ U.S. ___, 117 S.Ct. 1822 (1997) 8

Atari Corp. v. Sega of America, Inc., 869 F. Supp. 783 (N.D. Cal. 1994) 9

BOC Health Care, Inc. v. Nellcor, Inc., 892 F. Supp. 598 (D. Del. 1995), *appeal deactivated*, 79 F.3d 1163 (Fed. Cir. 1995), *aff'd*, 98 F.3d 1357 (Fed. Cir. 1995) 9

Brooktree Corp. v. Advanced Micro Devices, Inc., 977 F.2d 1555 (Fed. Cir. 1992) 9

Candella Laser Corp. v. Cynosure, Inc., 862 F. Supp. 632, 32 U.S.P.Q.2d 1433 (D. Mass. 1994), *aff'd*, 59 F.3d 181 (Fed. Cir. 1995) 9

Magnivision, Inc. v. The Bonneau Company, 115 F.3d 956 (Fed. Cir. 1997) 5

Warner-Jenkinson Co., Inc. v. Hilton Davis Chemical Co., ___ U.S. ___, 117 S.Ct. 1040, 41 U.S.P.Q.2d 1865 (1997) 14, 16, 17

Western Electric Co., Inc. v. Piezo Technology, Inc., 860 F.2d 428, 8 U.S.P.Q.2d 1853 (Fed. Cir. 1988) 16

TABLE OF AUTHORITIES – Continued

Page

STATUTES AND REGULATIONS

28 U.S.C. § 1254(1) 1

28 U.S.C. § 1295(a)(1) 1

28 U.S.C. § 1338(a) 1, 3

35 U.S.C. § 282 ..... 2, 8

37 C.F.R. § 1.133 ..... 3, 14, 17

PETITION FOR A WRIT OF CERTIORARI

The petitioner The Bonneau Company respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Federal Circuit, entered in this proceeding on June 9, 1997.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit is reported at 115 F.3d 956. It is reprinted in the appendix to this petition at pp. P. A-2-12.

JURISDICTION

The United States District Court for the Central District of California had jurisdiction of this patent infringement action under 28 U.S.C. § 1338(a).

The jurisdiction of the United States Court of Appeals for the Federal Circuit was based upon 28 U.S.C. § 1295(a)(1). The opinion and judgment of the Court of Appeals were entered on June 9, 1997. A timely petition for rehearing with suggestion for rehearing in banc was overruled on August 8, 1997.

The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY AND REGULATORY PROVISIONS INVOLVED

35 U.S.C. § 282 states in pertinent part:

A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed to be valid independently of the validity of other claims. . . . The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement or unenforceability,

(2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,

(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,

(4) Any other fact or act made a defense by this title.

37 C.F.R. states in pertinent part:

(b) In every instance where reconsideration is requested in view of an interview with an examiner, a complete written statement of the

> reasons presented at the interview as warranting favorable action must be filed by the applicant.
>
> 37 C.F.R. § 1.133(6).

Section 713.04 of the Manual of Patent Examining Procedure further provides:

> It is the responsibility of the applicant or the attorney or agent to make the substance of an interview of record in the application file, unless the examiner indicates that he or she will do so. It is the examiner's responsibility to see that such a record is made and to correct material inaccuracies which bear directly on the question of patentability.

STATEMENT OF THE CASE

This is a patent infringement suit brought in the district court under 28 U.S.C. § 1338(a). Respondent Magnivision, Inc. ("Magnivision") is the successor-in-interest to the assignee of U.S. Patent No. 5,144,345 ("the '345 patent"), entitled HANGER FOR DISPLAYING EYEGLASSES. (A3721; A5364).[1] The '345 patent discloses and claims a point-of-purchase display system for eyeglasses in which the glasses are hung on outward projecting rods by plastic hanger tags which encircle a portion of the frame of the eyeglasses. (A5367; A3746-7). Magnivision markets non-prescription reading glasses using a display

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[1] These numbers refer to the entire Appendix on appeal. References to the Appendix to this petition will be denoted P. A-___.

system based upon the '345 patent. (A758). Petitioner The Bonneau Company ("Bonneau") also markets non-prescription reading glasses and utilizes a display system referred to as "The Bonneau Slide Hook." (A760).

Magnivision alleged that The Bonneau Slide Hook display system infringed claim 5 of the '345 patent and commenced a patent infringement action in the United States District Court for the Northern District of Texas. (A34-44). The case was subsequently transferred to the United States District Court for the Central District of California. Prior to trial, the District Court rendered summary judgment against Bonneau on its defense of inequitable conduct. (A1269-70; A1295-1306). The case thereafter proceeded to a jury trial on the issues of non-infringement and various defenses of invalidity.

Beginning with the opening statement, and continuing throughout the trial, counsel for Magnivision repeatedly argued not only that the law presumed that the '345 patent is valid, but also urged the jury to make its own assessment based on particular "good" facts in the examination of the '345 patent that bolstered that presumption. For example, Magnivision argued that the patent examiner had, in fact, conducted his examination properly and according to the regulations (A3678; A4737; A4741-43; A6187-94) and that the high status of the patent examiner should be taken into account by the jury in reaching its verdict. (A3678). In response to this argument, based on particular facts in the examination of the patent in suit,

Bonneau drew attention to various aspects of the examination history[2] in order to rebut the presumption of validity and counter Magnivision's repeated claims of factual reliability. In particular, Bonneau cited as "bad facts" the failure of Magnivision to record with any specificity the reason why the examiner suddenly approved claims, despite numerous previous rejections, following a conversation with Magnivision's counsel and the number of interviews that took place before the examiner agreed to allow the claims. (A5129; A5130; A5145).

The case was submitted to the jury by special verdict, which the jury answered wholly in favor of Bonneau, finding the patent claim invalid on the basis of failure to disclose best mode, indefiniteness, inadequacy of disclosure, and obviousness, and finding that the Bonneau Slide Hook system did not infringe the claim. (A3-6). The district court rendered judgment based upon the jury verdict in favor of Bonneau. Magnivision subsequently appealed. (A3).

The United States Court of Appeals for the Federal Circuit vacated the judgment in favor of Bonneau and remanded the case for a new trial.[3] *Magnivision, Inc. v. The*

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[2] In Bonneau's opening statement the expression "prosecution irregularities" was used to identify the parts of the prosecution history that Bonneau wished to criticize. Upon objection by Magnivision, the district court instructed Bonneau not to use the expression. Bonneau's counsel scrupulously followed this instruction, though Magnivision's counsel repeatedly used the expression in his questions.

[3] The Federal Circuit reversed and remanded the entire case, including the jury's verdict of non-infringement, even though the perceived error regarding "prosecution

Bonneau Company, 115 F.3d 956 (Fed. Cir. 1997). In its opinion, the Federal Circuit held that evidence of prosecution irregularity was irrelevant unless asserted under a theory of inequitable conduct and that the admission of evidence critical of the prosecution history, and a jury instruction that in actuality stressed the presumption of validity, were sufficiently prejudicial to taint the entire trial and verdict.

REASONS FOR GRANTING THE WRIT

This case presents a question of fundamental importance to the trials of patent infringement suits generally: whether evidence critical of events that occurred in the prosecution of a patent application are ever relevant and admissible as evidence to rebut a patent challenger's burden to overcome the presumption of validity with clear and convincing evidence, absent a claim of inequitable conduct. It is vital to the well being of commerce in this country not only that meritorious inventions be protected by strong and vigorously enforced patents, but also that patents on non-inventions be rooted out to enable strong and vigorous competition using all the technology that the law considers to be in the public domain. This decision of the Federal Circuit Court prevents a fair adjudication of the merits of a patent claim by insulating the patentee from critical examination of the application process, except in instances of fraud.

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irregularities" was immaterial to the jury's consideration of the infringement question.

Courts have long held that the strong presumption of validity accorded an issued patent in part flows from the deference to the technical skills of the patent examiner and the presumption that the patent examiner performed his administrative function correctly. In its opinion in this cause, the Federal Circuit now holds that, absent a claim of inequitable conduct, a patent challenger may not introduce evidence of what in fact occurred during the patent prosecution as revealed by the file history to show that the examiner was wrong in his or her decision to issue the patent. (P. A-9, *infra*).

The opinion of Federal Circuit, therefore, radically alters the playing field in patent litigation and creates an insurmountable burden for patent challengers. In addition to the disfavored defense of inequitable conduct, there are numerous other defenses of invalidity which are commonly raised in patent litigation, including obviousness, indefiniteness, inadequate disclosure, lack of novelty, lack of enablement and best mode. Regardless of the defense asserted by the patent challenger, the presumption of validity, which incorporates the presumption of administrative correctness and deference, applies. In addition to the never-changing, never-shifting, and always applicable presumption of validity, the decision of the Federal Circuit now adds to the obstacles facing a patent challenger by banning all criticism of the prosecution of the patent, unless to support the defense of inequitable conduct. Thus, where the challenger focuses on some other claim of invalidity, such as obviousness, the presumption of administrative regularity inherent in the

statutory presumption of validity can no longer be rebutted. Even in the face of arguments by the patentee seeking to bolster the presumption by showing the fact finder events and circumstances of the actual prosecution, the challenger may not show to the fact finder events and circumstances that indicate that the examiner may have arrived at the wrong conclusion.

The Statutory Presumption of Validity

There is no doubt that the presumption of validity surrounding a patent has been a vexing aspect of patent litigation through the years. The presumption, codified at 35 U.S.C. § 282, is simply that "a patent shall be presumed valid." Section 282 further states that "The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such validity." In applying this statutory presumption, the Federal Circuit has held that patents are presumed valid in all respects, and a challenger attacking a patent has the burden of negating the presumption of validity with clear and convincing evidence. *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359-60 (Fed. Cir. 1984), *cert. denied*, 469 U.S. 821 (1984). This burden never shifts, and the only question to be decided is whether the attacker sustains its burden of proof on clear and convincing evidence. *American Hoist*, 725 F.2d at 1359.

Patent courts have long held that the strict presumption of validity is in fact based upon the presumption of administrative correctness of the actions of an agency charged with examination of patentability, *Applied Materials, Inc. v. Advanced Semiconductor Materials America, Inc.*, 98 F.3d 1563 (Fed. Cir. 1996), *cert. denied*, ___ U.S. ___, 117

S.Ct. 1822 (1997); *American Hoist*, 725 F.2d at 1359; *BOC Health Care, Inc. v. Nellcor, Inc.*, 892 F. Supp. 598, 602 (D. Del. 1995), *appeal deactivated*, 79 F.3d 1163 (Fed. Cir. 1995), *aff'd*, 98 F.3d 1357 (Fed. Cir. 1995), and upon the expertise of the patent examiners, who are presumed to have done their job correctly. *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555 (Fed. Cir. 1992). Implicit in the presumption of validity is the presumption that the patent examiner properly carried out his administrative function. *BOC Health Care, Inc. v. Nellcor, Inc.*, 892 F. Supp. at 602. "[T]he challenging party must overcome the deference accorded the patent examiner, whose duty it is to issue only valid patents, and who is presumed to have properly done his or her job, to have expertise in interpreting the references, and to be familiar with the level of skill in the art." *Al-Site Corp. v. Cable Car Sunglasses*, 911 F. Supp. 410, 415 (N.D. Cal. 1994); *see also, Atari Corp. v. Sega of America, Inc.*, 869 F. Supp. 783 (N.D. Cal. 1994). "In addition to the presumption of validity, a presumption of administrative correctness attaches to the decision by the PTO [Patent and Trademark Office] to issue a patent." *Candella Laser Corp. v. Cynosure, Inc.*, 862 F. Supp. 632, 639, 32 U.S.P.Q.2d 1433 (D. Mass. 1994), *aff'd*, 59 F.3d 181 (Fed. Cir. 1995).

Because The Presumption of Administrative Correctness Applies to All Defenses, Not Just Inequitable Conduct, Evidence Is Permissible to Rebut The Presumption

The opinion of the Federal Circuit now holds that evidence critical of events during prosecution is never relevant to rebut the presumption of validity, absent a claim of fraud on the Patent Office. (P. A-9). Specifically, the opinion states: "Absent proof of inequitable conduct,

the examiner's or the applicant's absolute compliance with the internal rules of patent examination becomes irrelevant." (P. A-9). Absent permissible proof of prosecution irregularity, the presumption of administrative correctness, grafted onto the statutory presumption of validity by the Federal Circuit, becomes an unrebuttable presumption, increasing further the already elevated burden of proof of invalidity.

In part, the Federal Circuit based its decision on the partial summary judgment granted against Bonneau on the issue of inequitable conduct. (P. A-7). The Court's reliance on the pre-trial summary judgment denying the inequitable conduct defense is misplaced. The jury was not asked to find that the patent was invalid because of prosecution irregularities and, indeed, none of the four bases on which the jury found the patent to be invalid were "prosecution irregularities." The pre-trial summary judgment dealt only with the question of whether there was inequitable conduct in the presentation of particular prior art to the examiner and did not even consider, yet alone rule on, Bonneau's right to comment on the lack of a meaningful record of the reasons for the claim allowance, or the protracted nature of the prosecution.

By holding that any evidence critical of the prosecution history is improper, the Federal Circuit has eliminated the ability of challengers to rebut the presumption of administrative correctness inherent in the statutory presumption of validity and to counter evidence from the patentee of "good" facts in the prosecution history, except for those instances in which the challenger is allowed to

present the defense of inequitable conduct. Such a blanket prohibition on the relevancy of facts in the prosecution history radically restricts the basis on which litigants may attack the validity of a patent and now prohibits any and all attacks on the presumption that the examiner was administratively correct in his examination of the patent. As noted *supra*, an important basis for the presumption of validity is the assumption that the patent examiner properly evaluated the claim. Evidence that the examiner did not follow required procedures does not suddenly become meaningless just because a claim of inequitable conduct, which requires a finding of fraudulent intent on the part of the applicant, is not made. Now, however, under the opinion of the Federal Circuit, the presumption of administrative correctness and the presentation of evidence of "good facts" in the prosecution history must go unrebutted in all instances where the challenger is unable to show fraud on the Patent Office.

The materiality of prosecution irregularity was implicit in the discussion of burden of proof by the Federal Circuit in *American Hoist*, 725 F.2d at 1359, an analysis which greatly suffers under the Federal Circuit's resolution of this case. In *American Hoist*, the Federal Circuit dealt with the increased burden of proof a litigant faces when there is no material prior art which was not considered by the examiner. *Id.* In such a case, the court required the challenger to introduce evidence that the examiner did not properly perform his job. *Id.* This is exactly what Bonneau attempted to prove. The discussion on the burden of presumption set forth in *American Hoist* is significantly altered by the Federal Circuit's decision in this case. Now, in light of the Federal Circuit's opinion in

this case, unless there is inequitable conduct with the required specific intent, a patent challenger can no longer offer to the fact-finder shortcomings in the examination process in order to overcome the presumption of administrative correctness set forth in *American Hoist*.

Where the Patent Holder Cites "Good" Facts in the Prosecution History to Bolster the Presumption of Validity, the Challenger Must Be Able to Introduce Rebuttal Evidence.

Throughout the trial, Magnivision urged the jury to reject Bonneau's claims of invalidity both because of the existence of the patent itself, the legal presumption of validity, and also because Magnivision showed in its case-in-chief that the examination of the patent was proper and that the examiner was competent, if not excellent, and that the examination followed all recognized customary procedures. Bonneau was entitled to rebut such evidence, and the accompanying presumption, with evidence critical of "bad" facts, showing that the quality of the examination was not all it was made out to be. Thus, the highly "prejudicial" evidence of prosecution irregularity complained about by the Federal Circuit stems from issues injected into the trial by the Magnivision itself. Magnivision argued the specifics of the prosecution history, and noted their regularity, from the very beginning of the trial and throughout its case-in-chief. (*See* A4737; A4739; A4741-43; A6187-94). In his opening statement, Mr. Cobrin stated, "And we will show that the patent examiner did his job properly and properly granted Michael his patent." (A3676). Similarly, he told the jury:

> We will also show you at trial that the examiner who examined the patent was the highest level person that the Patent Office has. There are different grades of patent examiners. He was a primary examiner, the highest-level type examiner. So the patent examiner, a very highly capable person examined Michael's patent. . . . (A3678).

Magnivision thereafter solicited testimony from its own patent expert, and through cross-examination of Bonneau's expert, on events that occurred during the prosecution. (*See* A4737; A4739; A4741-43; A6187-94). Finally, in its Proposed Jury Instructions on the Statutory Presumption of Validity, Magnivision stated that "Bonneau . . . has the added burden of overcoming the deference that is due to the Patent Office presumed to have done its job in issuing a patent based upon the application submitted and arguments made by the inventor." (*See* A1718, 1782-83).

Such arguments are not uncommon in patent litigation, however. Rather, in most patent litigation, it is the practice of the patentee to waive before the jury the patent grant bearing the seal of the Patent Office and to trumpet the existence of the patent itself and the expertise of the Patent Office examiner as guaranteeing validity. However, once the patentee chooses not to rely on the mere presumption of validity, but introduces testimony about the facts of the prosecution to enhance the presumption of validity, then it should clearly be open to the defendant to answer that testimony. That is what happened in this case.

This Court Has Found that Prosecution History Is Essential to Determine the Scope of the Claim

Finally, the Federal Circuit's ruling on the admissibility of evidence of prosecution irregularity conflicts with the decision of this Court in *Warner-Jenkinson Co., Inc. v. Hilton Davis Chemical Co.*, ___ U.S. ___, 117 S.Ct. 1040, 41 U.S.P.Q.2d 1865 (1997). In *Warner-Jenkinson*, this Court held that the prosecution history is essential in determining the scope of the claim and that a full record, including the examiners' reasonings and actions were necessary to flesh out that prosecution history. While *Warner-Jenkinson* involved the issue of prosecution history estoppel, its requirement for a full prosecution record is equally compelling in the present case. Here, the record is totally devoid of any reason why the examiner approved Magnivision's claim after so many prior rejections. Without a full record, it is impossible to discern the exact scope of Claim 5 of the '345 patent.

In its opinion, the Federal Circuit took exception to Bonneau's comments on the failure of Magnivision to set forth the reasons for the patent examiner's sudden approval of its claim. (P. A-6-7). In particular, Bonneau pointed to a March 16, 1992 conversation between Magnivision and the examiner in which the examiner finally agreed to allow Magnivision's claim after several rejections. (P. A-6; A5128). Such telephone interviews are permitted by the Rules of the Patent and Trademark Office. 37 C.F.R. § 1.133, however, requires:

> (b) . . . In every instance where reconsideration is requested in view of an interview with an examiner, a complete written statement *of the reasons presented at the interview as warranting*

> *favorable action* must be filed by the applicant. (Emphasis added).

While the Federal Circuit correctly acknowledged the terms of that rule, it failed to realize that a full and complete statement of the reasons for the allowance had not been made in this case. Although Magnivision's attorney referred to the interview in its subsequent letter, the reasons for the examiner's change of mind are nowhere in the file history, contrary to what the rule requires.

In such a case, the examiner himself was required to review the report for completeness and correct any inaccuracies. (P. A-5; *See* Manual of Patent Examining Procedure at § 713.04). No report was ever filed by the examiner. At trial, Bonneau commented on the lack of an articulated basis for the Patent Examiner's sudden approval of Magnivision's claim. (A5128-30). Bonneau argued that the lack of articulated reason for approval in the claim history was one factor that the jury could consider in determining whether the examiner was right in concluding that the claim was allowable. Clearly, the jury is allowed to disagree with the examiner's decision, because the presumption of validity is rebuttable, not unrebuttable. Because, however, juries, and even courts, are inclined to believe that an experienced government official, such as a patent examiner, will have reached the right decision, the challenger must be allowed to draw attention to indications that the wrong decision was made. (*Id.*).

Despite the relevance of this evidence with respect to the presumption of administrative correctness, the Federal Circuit held that such evidence was irrelevant and

highly prejudicial. (P. A-9). In part, the decision of the Federal Circuit appears to have been based on *Western Electric Co., Inc. v. Piezo Technology, Inc.*, 860 F.2d 428, 432, 8 U.S.P.Q.2d 1853, 1856 (Fed. Cir. 1988). *Western Electric* held that an examiner's thought processes are shielded from discovery as to their "bases, reasons, mental processes, analysis or conclusions." *Id.* Admittedly, *Western Electric* stands for the proposition that an examiner may not, normally, be deposed as to the basis of his conclusions. *Id.* However, that does not mean that the basis for an examiner's decision is never an appropriate subject for inquiry, making Bonneau's argument irrelevant and unfairly prejudicial.

To the contrary, this Court has recently held that the basis for an examiner's decision is relevant, competent and, indeed, necessary evidence. *See Warner-Jenkinson Co., Inc. v. Hilton Davis Chemical Co.*, ___ U.S. ___, 117 S.Ct. 1040, 41 U.S.P.Q.2d 1865 (1997). *Warner-Jenkinson* involved a claim of infringement under the doctrine of equivalents and the resulting defense of prosecution history estoppel. This Court noted: "It is telling that in each case [on prosecution history estoppel] this Court probed the reasoning behind the Patent Office's insistence upon a change in the claims." *Id.* at 1050. Noting the importance of the examiner's basis for his decision (a reversal of opinion similar to the present case), this Court considered the situation in which the record does not contain the examiner's reason for change and placed "the burden on the patent-holder to establish the reason for an amendment required during patent prosecution." *Id.* at 1051.

Because, under *Western Electric*, the examiner cannot be deposed, it is all the more vital that the reasons for

allowing a claim, particularly after a long series of rejections, be the subject of a clear record in the prosecution history. The holding of the Federal Circuit in this case sends entirely the wrong message, namely that it is acceptable not to make that record and that a failure to make it cannot even be remarked on in subsequent litigation. In view of the numerous rejections of Magnivision's claims, the requirement of 37 C.F.R. § 1.133 for a record of the reasons for allowance, and the relevance of the examiner's reasons as stated in *Warner-Jenkinson*, it was right and proper for the absence of any record of reasons to be pointed out to the jury, which would certainly be curious as to why, after so many refusals, the examiner suddenly reversed his position. Further, the prohibition of such evidence makes it all but impossible to rebut the presumption of administrative correctness.

CONCLUSION

The Federal Circuit's absolute prohibition on evidence relating to prosecution irregularity creates an unrebuttable presumption of administrative correctness which is fundamentally unfair to patent challengers. Therefore, for the reasons stated herein, a writ of certiorari should be granted in this case. The judgment of the Court of Appeals should be reversed and the judgment of the district court reinstated.

Respectfully submitted,

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United States Court of Appeals
for the Federal Circuit

95-1093

MAGNIVISION, INC.,

Plaintiff-Appellant,

v.

THE BONNEAU COMPANY,

Defendant-Appellee.

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John M. Cone, Strasburger & Price, L.L.P., of Dallas, Texas, argued for defendant-appellee. Of counsel were *Jerrold B. Reilly* and *Robert D. Fish*, Lyon & Lyon, of Los Angeles, California.

Appealed from: U.S. District Court for the Central District of California

Judge King

United States Court of Appeals for the Federal Circuit

95-1093

MAGNIVISION, INC.

Plaintiff-Appellant,

v.

THE BONNEAU COMPANY,

Defendant-Appellee.

DECIDED: June 9, 1997

Before RICH, NEWMAN, and CLEVENGER, *Circuit Judges.*

NEWMAN, *Circuit Judge.*

Magnivision, Inc. is the owner of United States Patent No. 5,144,345 for a display system for eyeglasses. The patented system is particularly useful for the display of non-prescription, corrective eyeglasses, since the customer must often try many different pairs in order to find the pair that provides optimum visual correction. The United States District Court for the Central District of California entered judgment in favor of The Bonneau Company, on a jury verdict that the '345 patent was invalid and not infringed.[1] We conclude that the incorrect jury instruction on the presumption of validity, and the accompanying prejudicial violations of the Federal Rules

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[1] *Magnivision, Inc. v. The Bonneau Co.*, No. CV-92-7553 (C.D. Cal. June 21, 1994).

of Evidence, deprived Magnivision of a fair trial under correct procedural and substantive law. We vacate the judgment and grant Magnivision's request for a new trial.

THE ISSUE OF "PROSECUTION IRREGULARITIES"

Magnivision had moved *in limine* for summary judgment on Bonneau's defense of inequitable conduct, which defense was based primarily on asserted improper procedures by the patent examiner during prosecution of the '345 patent. The district court granted Magnivision's motion. Thus, the issue of inequitable conduct was resolved pre-trial. That judgment is not appealed.

Despite the grant of summary judgment, at the trial Bonneau raised the same issues of improper procedures, now calling them "prosecution irregularities." The magistrate judge, after some hesitation, overruled Magnivision's objection that the issue had already been decided. Throughout the trial, Bonneau pressed through witnesses and argument the issue of "prosecution irregularities," and told the court and the jury that the presumption of validity was lost. The judge instructed the jury accordingly:

> 28. . . . The presumption of validity also means that it is presumed that there were no irregularities during the examination of the application that became the '345 patent.

This instruction was an incorrect statement of law, for the presumption of validity and the placement of the burden of proof remain "static, never-changing." *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359-60, 220 USPQ 763, 770 (Fed. Cir.), *cert. denied*, 469 U.S. 821

(1984). The purpose of the presumption of validity, codified at 35 U.S.C. § 282, is to contribute stability to the grant of patent rights. *See* P.J. Federico, *Commentary on the New Patent Act*, 75 JPTOS 161, 215 (1993) (reprinted from 35 U.S.C.A. (1954 ed.) ("That a patent is presumed valid was the law prior to the new statute, but it was not expressed in the old statute. The statement of the presumption in the statute should give it greater dignity and effectiveness.") The presumption operates by placing the burden of proving invalidity on the person attacking the patent, who must prove invalidity by clear and convincing evidence. The presumption does not dissolve and the burden of proof does not change during the trial: rather, the evidence presented by the challenger must be of such quality and weight as to establish invalidity despite the presumption. *Solder Removal Co. v. U.S. Int'l Trade Comm'n*, 582 F.2d 628, 632, 299 USPQ 129 (CCPA 1978) ("To speak of the presumption as 'no longer attaching' is to risk a concomitant, and unspoken, assumption that the burden of persuasion is thereafter no longer upon him who asserts invalidity.")

We thus consider whether the incorrect jury instruction and the presentation of the asserted "prosecution irregularities" sufficiently tainted the fairness of the trial as to require remedy. Not all errors warrant annulment of the process. A trial need not be perfect; it must, however, be fair. Thus the Rules of Evidence require that the issues presented at trial be relevant to the matter in dispute, and be supported by admissible evidence that is free of unfair prejudice. *See generally Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579 (1993) (discussing issues of relevance and admissibility of scientific evidence and

expert testimony). We give *de novo* review to the question of whether the issue of prosecution irregularities is of consequence, for the question of whether Bonneau has stated a legally relevant defense is a question of law, not a matter of trial management.

The principal "prosecution irregularity" asserted by Bonneau was the patent examiner's failure to record the substance of a telephone call that the examiner made to Magnivision's attorney. Although Magnivision's attorney recorded the substance of the telephone call, as the rules require, Bonneau centered its attack on the fact that the examiner did not do so and thus did not record his reasoning.

The patent examining process is conducted by way of a series of exchanges between patent examiner and patent applicant. To facilitate and speed the process, the Rules of the Patent and Trademark Office authorize personal and telephone interviews. The rules require that all interviews be recorded by the patent applicant, in accordance with 37 C.F.R. § 1.133:

> (b) . . . In every instance where reconsideration is requested in view of an interview with an examiner, a complete written statement of the reasons presented at the interview as warranting favorable action must be filed by the applicant.

The Manual of Patent Examining Procedure at § 713.04 elaborates, requiring the applicant to record the substance of the interview unless the examiner does so:

> . . . It is the responsibility of the applicant or the attorney or agent to make the substance of an interview of record in the application file, unless

> the examiner indicates that he or she will do so. It is the examiner's responsibility to see that such a record is made and to correct material inaccuracies which bear directly on the question of patentability. . . .

The telephone interview here was recorded by Magnivision's attorney in a letter filed with the Patent and Trademark Office on March 18, 1992, two days after the examiner's phone call:

> On March 16, 1992, the undersigned was advised by Examiner Bovernick that claims to the combination of an eyeglass display member and an eyeglass hanger member would be allowable if presented in proper form and four such claims are included herewith.

On April 21, 1992 Magnivision's attorney again wrote, stating that "Applicant believes that new claim 55 contains the type of recitations discussed with the Examiner on March 16, 1992 and is therefore believed allowable," and describing how new claim 55 recites cantilever support including two parallel rods and the details of the cooperation between the hanger member and the parallel rods.

This telephone call was the cornerstone of Bonneau's charge of "prosecution irregularities," for the examiner apparently did not file a separate report of this telephone call. In his opening statement Bonneau's counsel told the jury:

> And we are going to review that prosecution history in this case in some detail because it has an unusual history. You're going to see that certain irregularities – [sidebar conference at

> which the magistrate judge overruled Magnivision's objection to this issue]. . . .
>
> Then, a rather curious thing happened. Mr. Cobrin, on March 16th, 1992, had a telephone interview with the Examiner. And after that, the Examiner, for the first time, agreed to allow the claims. And *despite the rules of the Patent Office requiring a written report of any interview, there is no such written report,* and there is nothing to indicate why the Examiner did an about-face.

(Emphasis added.) Bonneau's counsel did not mention Magnivision's written reports of the interview. This asserted "irregularity" was stressed and magnified by Bonneau throughout the trial. Indeed the court's instructions to the jury reinforced the position that there was a failure to comply with "the rules of the Patent Office," for the caption of Jury Instruction 31 again mistakes the rule that it is the applicant who must file the statement of interview, and implies that the rule was violated:

> 31. EFFECT OF FAILURE TO FILE A WRITTEN STATEMENT OF INTERVIEW

In his closing argument to the jury Bonneau's counsel quoted this caption, again described the examiner's telephone call as an "unrecorded discussion," and again stressed "the failure to file a written statement of interview":

> Unfortunately, we don't know everything else that the Magnivision patent attorneys told the examiner because the file wrapper is incomplete. Moreover, it is incomplete at a point which is critical with respect to what was said that led to the allowance of Claim 5. . . . This concerns the March 16th interview. Clearly, *the*

> *key event in connection with the allowance of Claim 5 was the unrecorded discussion* between the examiner and Mr. Cobrin on March 16, 1992. . . .
>
> If you review Judge King's instructions on the failure to file a written statement of interview, instruction number 39 [sic: 31], you will see the significance of this incompleteness.

(Emphasis added.) These remarks were contrary to the undisputed fact that Magnivision's attorney filed a written statement of the interview, and that there were several subsequent exchanges of record before the claim was allowed.

The record shows the pervasiveness with which Bonneau pressed the issue that the examiner had not complied with the rules, and that the validity of the patent was thereby affected. During cross-examination of Mr. Gottlieb, Magnivision's patent expert, Bonneau's counsel raised this issue several times. For example, at page 16 of the June 10 transcript, Bonneau's counsel asked:

> Q. Isn't it important that there be a complete written record of what occurred during the prosecution of the patent application?

At page 39 he asked:

> Q. Do we have any written summary prepared by the Examiner of the discussions that took place between Mr. Cobrin and the Examiner?

At page 43 he asked:

> Q. I'm asking if that document sets forth the reasons why the Examiner changed his mind about the claims being not patentable to the claims being patentable.

At page 46 he asked:

> Q. And the language of claim 5, according to the remarks in this amendment when this claim was submitted, indicates that the language of this claim was discussed with the Examiner on March 16th, 1992, correct?

At page 49 he asked:

> Q. Those are Mr. Cobrin's remarks. What I'm asking is where is it set forth in the prosecution history the Examiner's reasons why he found claim 5 allowable?

Counsel for Bonneau implied a serious failure by the examiner. Bonneau again raised this issue during examination of its witness Mr. Jessup, eliciting the "expert" opinion that the rules had not been complied with.

The principal other prosecution irregularity stressed by Bonneau was Magnivision's attorney's "remarkable persistence" in prosecuting the claims, described in Bonneau's closing statement to the jury as follows:

> Furthermore, the interview [the March 16 phone call] and the eight or nine other interviews after the final rejection demonstrated the remarkable persistence of Mr. Cobrin in eventually wearing down the examiner and obtaining allowance of Claim 5. *It is in the context of this background that you need to evaluate the validity and infringement* of Claim 5.

(Emphasis added.) The prosecution history shows one personal interview, several telephone calls from the examiner, and one from the applicant after allowance. Multiple interviews are not illegal, and persistence in patent prosecution is not grist for patent invalidity.

These issues (and other asserted "irregularities" of lesser emphasis, concerning arguments about a reference and statements in a Rule 132 declaration filed in connection with a patent not in suit) were considered and decided by summary judgment, pre-trial. The court having held pre-trial that there was not inequitable conduct, "prosecution irregularities" by the examiner or the applicant are not relevant to patent validity. The potential for prejudice flowing from unwarranted charges of improper conduct led this court to establish objective rigor in *Kingsdown Medical Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 9 USPQ2d 1384 (Fed. Cir. 1988) (*en banc*), *cert. denied*, 490 U.S. 1067 (1989), wherein the court held that there must be material misrepresentation or omission by the applicant, with the intent to deceive or mislead the examiner, in order to establish improper conduct in patent prosecution. *Id.* at 872, 9 USPQ2d at 1389.

The *Kingsdown* ruling was in response to the "plague" of litigation-inspired attacks that fed on the unfamiliarity of decision-makers with the complex procedures of patent examination. Imperfection in patent examination, whether by the examiner or the applicant, does not create a new defense called "prosecution irregularities" and does not displace the experience-based criteria of *Kingsdown*. *See Northern Telecom v. Datapoint*, 908 F.2d 931, 939, 15 USPQ2d 1321, 1327 (Fed. Cir. 1990) ("Given the ease with which a relatively routine act of patent prosecution can be portrayed as intended to mislead or deceive, clear and convincing evidence of conduct sufficient to support an inference of culpable intent is required.") We emphasize that the issues that were presented at trial had

already been raised and decided in the pre-trial proceedings, decided by summary judgment, concerning the charge of inequitable conduct.

The validity of a patent is always subject to plenary challenge on its merits. A court may invalidate a patent on any substantive ground, whether or not that ground was considered by the patent examiner. Procedural lapses during examination, should they occur, do not provide grounds of invalidity. Absent proof of inequitable conduct, the examiner's or the applicant's absolute compliance with the internal rules of patent examination becomes irrelevant after the patent has issued. Indeed, the patent examiner's thought processes are shielded from discovery as to their "bases, reasons, mental processes, analyses or conclusions." *Western Electric Co. v. Piezo Technology, Inc.*, 860 F.2d 428, 432, 8 USPQ2d 1853, 1856 (Fed. Cir. 1988). Thus it was simply incorrect to instruct the jury that the presumption of validity could be lost by the "prosecution irregularities" here presented.

Reinforced by the incorrect jury instruction, the emphasis on the purported prosecution irregularities imparted disproportionate and prejudicial weight to the issue. Although the trial court has substantial discretion in determining the evidence to be admitted, the ultimate fact must be "of consequence to the determination of the action," in the words of Federal Rule of Evidence 401. As provided in Rules 401-403, admissible evidence must be relevant in that it must tend to make a consequential fact more or less probable. Since the issue of improper conduct in patent prosecution had been resolved pre-trial, there was no consequential fact to be proved by evidence

of "prosecution irregularities," and the proffered evidence thereof was irrelevant. As Rule 402 states, irrelevant evidence is not admissible.

The purposes of the Federal Rules of Evidence include assuring that irrelevant evidence does not unfairly prejudice the trial. *Huddleston v. United States*, 485 U.S. 681, 691 (1988) (the Federal Rules of Evidence protect against unfair prejudice); *United States v. Abel*, 469 U.S. 45, 54 (1984) (court has the duty to assess the probative value and relevance of prejudicial evidence). The issue of "prosecution irregularities" was simply irrelevant, and the emphasis on this issue at the trial advanced it to unfair prejudice. Rule 403 in the Notes defines "unfair prejudice" as "an undue tendency to suggest decision on an improper basis, commonly, though not necessarily, an emotional one." The obligation of the trial judge to act as "gatekeeper" is founded on the potential for prejudice. *Daubert*, 309 U.S. at 589.

Bonneau's presentation of this issue at trial, in over fifty pages of transcript and during six days of the nine-day trial, illustrates the tactic discussed in 22 Wright & Graham, *Federal Practice and Procedure: Evidence*, § 5217 (1978), that if evidence of marginal probative worth necessitates lengthy rebuttal, it imparts disproportionate weight to the issue. The assertions and innuendos of impropriety were magnified by repetition. *See Louisiana Ass'n of Independent Producers and Royalty Owners v. Federal Energy Regulatory Comm'n*, 958 F.2d 1101, 1119 (D.C. Cir. 1992) (a party "cannot, by sheer multiplication of innuendo, overcome the strong presumption of agency regularity") (quoting *United States v. Morgan*, 313 U.S. 409, 421 (1941)). And the jury instruction, with its implicit

endorsement of the issue, added weight to its prejudicial impact. *See Jamesbury Corp. v. Litton Industrial Products, Inc.*, 756 F.2d 1556, 1559 n.4, 225 USPQ 253, 256 n.4 (Fed. Cir. 1985) ("reference in the instructions to a patent owner misleading the examiner was prejudicial").

We take note of the absence of substance to the charge of prosecution irregularities, as well as its prejudicial irrelevance to the determination of validity *vel non* of the patent in suit. We conclude that "the danger of unfair prejudice, confusion of the issues, or misleading the jury," Rule 403, removed the evidence on the issue of prosecution irregularities from a reasonable scope of the trial court's discretion. The admission of evidence and argument on that issue was contrary to the Federal Rules of Evidence. Viewing the proceedings as a whole, we are persuaded that fundamental fairness of the adjudication was prejudiced.

The instruction on the presumption of validity left that issue to be determined on a possibly incorrect standard. *See In re Mark Industries*, 751 F.2d 1219, 1224-25, 224 USPQ 521, 524-25 (Fed. Cir. 1984) (directing district court to vacate its order that voided the presumption of validity); *American Hoist*, 725 F.2d at 1356-60, 220 USPQ at 768-70 (ordering new trial based, *inter alia*, on incorrect instruction on presumption of validity). *Cf. also Bigge v. Albertsons, Inc.*, 894 F.2d 1497, 1503 (11th Cir. 1990) ("We think the district court's use of the wrong legal standard [the burden of proof] sufficiently taints and infects its finding . . . to remand the case for a determination under the proper standard."); *Polselli v. Nationwide Mut. Fire Ins. Co.*, 23 F.3d 747, 752 (3d Cir. 1994) (reversing and remanding because district court failed to apply correct standard

of clear and convincing evidence); *Pavlides v. Galveston Yacht Basin, Inc.*, 727 F.2d 330, 340 (5th Cir. 1984) ("Since the trial court applied an erroneous standard . . . and erroneous burdens of proof, the defendants were not called upon to meet the correct test at trial. They must be given a chance to do so."); *see generally Pullman-Standard v. Swint*, 456 U.S. 273, 291-92 (1982) (when trial court's findings were based on an incorrect legal standard, the appropriate remedy is to remand so that findings can be made in accordance with the applicable legal standard.)

On this appeal Bonneau says very little about these aspects. Instead, Bonneau argues that the judgment in its favor should be sustained if there were any basis for the judgment, on any of the issues presented at trial, applying the "extraordinarily deferential" review owed to a jury verdict. Such an appellate process would validate prejudicial tactics and ratify cynical advocacy, would confirm incorrect law and diminish the Rules of Evidence, and abdicate judicial responsibility for assuring a fair trial. We are cognizant of the burdens a retrial imposes on courts and parties. However, toleration of erroneous law and prejudicial advocacy imposes larger burdens. We do not accept a theory of litigation whereby improper process will be tolerated if the wrongdoer might have prevailed had the trial been fair.

The judgment is vacated, and the case remanded for a new trial.

Costs

Costs to Magnivision.

VACATED AND REMANDED.

United States Court of Appeals
for the Federal Circuit

95-1093

MAGNIVISION, INC.

Plaintiff-Appellant,

v.

THE BONNEAU COMPANY,

Defendant-Appellee.

JUDGMENT

ON APPEAL from the United States District Court for the Central District of California

In CASE NO(S). CV 92-7553

This CAUSE having been heard and considered, it is ORDERED and ADJUDGED: VACATED AND REMANDED

ENTERED BY
ORDER OF THE COURT

DATED JUN 9, 1997

/s/ Jan Horbaly
Jan Horbaly, Clerk

COSTS: Against, Appellee.

PRINTING--------$1536.00
TOTAL----------$1536.00

ISSUED AS A MANDATE: August 15, 1997

United States Court of Appeals
for the Federal Circuit

ORDER

(Filed Aug. 8, 1997)

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the APPELLEE, and a response thereto having been invited by the court and filed by the APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on August 15, 1997.

FOR THE COURT,
JAN HORBALY, CLERK

Dated: August 8, 1997

By /s/ Alex Van Veen
Alex Van Veen
Staff Law Clerk

cc: PETER T. COBRIN
JOHN M. CONE

MAGNIVISION INC V. BONNEAU CO, 95-1093
(DCT – CV 92-7553)

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Note: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public record.

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